The Arctic – a new arena for geopolitical and economic influence

By Dr Alexander Kouzminov

1. General information

The Arctic region includes eight states, whose territories lie beyond the Arctic Circle:

- Canada
- Denmark (including the autonomous territories of Greenland and the Faroe Islands)
- Finland
- Iceland
- Norway
- Russia (the northern regions make up the Arctic zone of the Russian Federation)
- Sweden
- The United States of America (represented by the State of Alaska).

The legal regime for dividing Arctic waters, shelf, and islands between these countries and the sovereignty of the five surrounding Arctic countries is regulated by three maritime zones as outlined in the *UN International Convention on the Law of the Sea*.[1] Each Arctic state has its own jurisdiction over exclusive economic zones (EEZs) within the Arctic Ocean. The Arctic Council is the primary international body uniting these countries - to address environmental and socioeconomic issues.[2]

Waters beyond territorial seas and EEZs, that is, beyond 200 nautical miles from the baselines of coastal states, are considered "high seas" (i.e., international waters). Waters and the seabed (not confirmed as an extension of the continental shelf beyond EEZs), – are considered the "commonwealth of mankind." Exploration and exploitation of mineral resources on and beneath the seabed in these areas is governed by the UN International Seabed Authority.

Under international law, the North Pole and the surrounding area of the Arctic Ocean – do not belong to any country.

2. Strategic importance of the Arctic

What are the riches of the Arctic?

***Natural resources*.** Experts believe, that there are minerals on the Arctic shelf that are not available, or will soon not exist anywhere else in the world, or that they are inaccessible. According to preliminary estimates, there are $100 trillion worth of natural resources under the Arctic ice, and whoever gets the advantage in their development will dictate the terms to everyone else. Half of the natural resources of the Arctic are in Russia.

First of all, the Arctic is rich in oil resources. Arctic hydrocarbon reserves amount to about 90 billion barrels of oil and 44 billion barrels of natural gas. About 84% of them are located in hard-to-reach sea areas.

The Arctic polar region is rich in rare earth minerals, including lithium, cobalt, and graphite. All of these resources are needed to produce high-tech products, including batteries and semiconductors. The demand for these resources is growing exponentially. The International

Monetary Fund (IMF) predicts that graphite production will need to increase by almost 1,000% to meet the need for batteries to produce electric vehicles.

Dependence on rare earth resources was especially manifested during the aggravation of the trade confrontation between the United States and China.[3] In 2025, China, which controls up to 90% of global rare earth supply chains, restricted their access to the American market as leverage against the Trump administration. In this context, the Arctic is becoming an alternative source of resources for Western countries against the Chinese monopoly.

Due to limited reserves, control of critical minerals is becoming a matter of national security for all countries in the world.

Experts compare the development of the Arctic region to space programs of the Soviet Union and the United States during the Cold War. There was even a phrase that "the Arctic is the new space race."

***Territories*.** There is not much free territory left on the planet. And one of these territories is the Arctic region. Whoever possesses it can claim serious leadership in the world – investment, political might, technical and military-industrial leadership.

Logistics. The Arctic, – rich in natural resources, is becoming an increasingly important region for the global economy due to the melting of glaciers. Due to global warming today, the climate in the Arctic is changing rapidly. The ice cover of the entire Arctic is shrinking by 13% annually, making it easier to access areas previously inaccessible to fossil mining. As the ice shell melts, the Arctic becomes the shortest geographical route from Asia to Europe.

The Arctic offers not only abundant mineral resources, but also scientific research, water reserves, and much more, – and, of course, logistics, particularly the Northern Sea Route. The Arctic could become the centre of all future trade logistics for humanity.

Russia has its own strategy for the development of the Arctic, since 11 regions of this country are located in the Arctic zone.

Russian President Vladimir Putin supported "The Project for the Development of the Arctic and the Trans-Arctic Transport Corridor." The project contains several meanings at once. The project is aimed at developing the Arctic regions of Russia and ensuring broad logistics, including the Northern Sea Route. According to this plan, industry, logistics and the social sphere in the Arctic zone should develop simultaneously, as a single system. Such a comprehensive project will make it possible to build a management model, that takes into account territorial specifics in order to preserve and increase Russia's historical leadership.

3. The geo-political component

The Arctic region is an area of strategic presence for Russia – due to the heightened geopolitical competition, that has been observed in relation to the Arctic over the past decades, and this competition is only increasing in pace.

The Northern Sea Route, which is becoming a more and more viable alternative to existing routes due to climate change, is under Russian control.

Currently, only Russia has all the necessary conditions for leadership in the Arctic, due to its geographic features: the country controls half of the Arctic coast and already has a developed infrastructure in the region, including mining and transport resources, an Arctic fleet of ships, and a satellite network for uninterrupted communications for merchant and military coast guard vessels.

Russia is strengthening its control over the Northern Sea Route, strengthening its influence in the region. In the West, this is perceived as the final consolidation of Russia in the Arctic.

The official route of the Northern Sea Route starts from Novaya Zemlya and ends in Provideniya Bay in the Russian Far East. The entire highway is within reach. or under the control, of Russia. The EU countries, together with Western shipping companies, announced a boycott of the Northern Sea Route, not wanting to allow the intensification of navigation along this transport artery. Nevertheless, many EU countries do not have legal responsibility in this region, and they do not have a serious opportunity to influence their use of this transport artery. The only country that can claim any rights is Denmark, at the expense of its autonomous region of Greenland.

When there are no opportunities to participate in Arctic affairs, but there's a strong desire to influence them, the EU resorts to far-fetched pretexts, essentially resorting to environmental blackmail. Specifically, these are treaties, to which Russia is a party, concerning the protection of Arctic animals: seals, polar bears, etc.

At the VI International Arctic Forum "The Arctic: Territory of Dialogue" in Murmansk on March 27, 2025, the Russian President stated: "*Russia will not allow any encroachment on its sovereignty in the Arctic and will protect its national interests, relying on peaceful development*."[4]

Russia must find allies in Northern Sea Route security. First and foremost, this includes China, which is also interested in keeping this transport artery operational and ensuring it always has an alternative route for shipping cargo to the Atlantic and to Europe.

4. The "long road" economy is the collapse of world trade

A) The Strait of Hormuz

The Strait of Hormuz is an important transport artery of the world economy, controlling almost 25% of the world's maritime oil trade, 20% of the world's trade in liquefied natural gas, 30% of the world's fertilizer exports, 30% of the world's helium trade, 20% of the world's jet fuel, 10% of diesel, 45% of sulphur, 10% of the world's maritime trade in steel, 9% of aluminium.

In this way, the Strait of Hormuz is not just an "oil tap", but a systemic artery of world industry. The escalation of geopolitical confrontation in the Middle East has led to the fact that transit through this "bottleneck" of the world economy has almost completely stopped, which de facto has turned off the key trade artery from the world system. This provoked a critical need to find workarounds.

The situation with the Strait of Hormuz has become a stress test of the entire global trading system, which for decades was built on the assumption that the 21 kilometres between Iran and Oman would always be open. Practice shows that this assumption turned out to be incorrect. The world received the largest oil shock in history, the destruction of infrastructure, a threat of a food crisis, a shortage of helium and fertilizers, paralysis of aviation and the restructuring of energy routes, which will cost hundreds of billions. Someone makes money on this, and someone can lose entire industries.

Oil will be expensive. Exports of oil and petroleum products from the Persian Gulf countries (excluding Iran) fell by almost 50%. Even with the opening of the Strait of Hormuz, the price of oil will remain at the level of $80-90 minimum.

Inflation is returning. The European Central Bank has postponed rate cuts. According to the IMF, in a tough scenario, global inflation could reach 6%.

Food crisis. The UN warns that if the conflict in the Persian Gulf continues and/or the Strait of Hormuz is blocked, the number of people in acute food insecurity will rise by 45 million by mid-2026, to a record of 363 million.

Who suffers the most?

Asia: China (the largest refiner of petroleum products in the world) is projected to reduce output by 50-70%.

Europe: suffers due to low gas reserves (about 30% of the balances in storage facilities after the cold winter of 2025-2026). The industry has introduced gas margins of up to 30%. A technical recession is expected in the energy-intensive economies of the European Union.

USA: gasoline prices have risen by 40%.

Who is making money from the crisis?

USA. Paradoxically, the USA wins because USA shale oil is not dependent on maritime restrictions. U.S. liquefied natural gas has become Europe's only major source of gas.

Russia. The main "silent beneficiary." According to CREA[5], revenues from fossil fuel exports have grown by 52% since the beginning of the conflict in the Middle East, while revenues from seaborne oil exports have jumped by 115%. India has doubled its purchases of Russian oil, and China has increased its imports of ESPO[6] oil by 14%. Russia also wins in the fertilizer market, as it provides 23% of world exports of ammonia, 14% of urea, and together with Belarus, also 40% of potash.

Oman. This is the only Gulf country to benefit from the crisis, as its ports at Duqm, Salalah and Sohar are located on the Arabian Sea, outside the Strait of Hormuz. Exports have grown, ports have become transit hubs.

Singapore and Hong Kong. Dubai, as a financial hub, is losing stability. Capital is looking for alternatives.

Australia. It will increase the supply of liquefied natural gas to Asia, filling the vacuum of Qatar.

China. It is in an ambiguous position, as it suffers from an oil shortage, but Iran has allowed Chinese-flagged ships to pass through the Strait of Hormuz. China produces ammonia from coal, so its fertilizers are not dependent on the Strait of Hormuz.

B) Alternative routes

There are very few alternative workarounds for global trade.

The bypass route around Africa via the Cape of Good Hope has become the only risk-reducing option for most carriers, but it's also significantly more expensive due to longer and more expensive voyages. This adds 11,000-13,000 kilometres, increases shipping time by 15-30 days, and increases

logistics costs (fuel, freight) (for example, for oil, an additional $2-3 million for tanker rentals for extra days).

For the hydrocarbon market, pipelines through Saudi Arabia and the UAE allow oil shipments to bypass the strait. However, their combined capacity is only a few million barrels per day. Other options include energy supplies from the USA, West Africa, or Brazil. However, these routes are significantly longer, meaning higher transportation costs and longer delivery times.

Alternative bypasses through the Red Sea and the Suez Canal for transporting oil using existing pipelines are significantly limited and are at high risk of damage due to military action in the region, leading to higher oil logistics costs (by $5-10 per barrel). This route is virtually closed to steel and fertilizer shipments due to limited rail capacity, and the critically increased logistics costs associated with double transshipment. These bypasses are closed to liquefied natural gas for technological reasons.[7]

Key cost indicators for blockade, bypass, or high-risk use of the Strait of Hormuz in 2026:

- A sharp increase in the cost of freight by about 600% compared to 2025, which averages $280-300 thousand per day.
- Higher transportation costs: One round trip costs $1.5-2.2 million more due to fuel costs.
- Additional costs: Extra days of renting a tanker add about $2.5 million in additional costs to the voyage.
- Higher logistics costs: Multimodal bypass (tanker/port/pipe/tanker) increases costs by $5-7 per barrel.[8,9]

In the current conditions, Russia is a beneficiary due to the availability of diversified land and sea routes that do not depend on stability in the Strait of Hormuz, and other transport corridors that are critical for the world economy. Under the current conditions, as well as in the foreseeable future, the Northern Sea Route is becoming a direct, secure and commercially viable corridor for the export of liquefied natural gas and oil from Russia to China and the countries of Southeast Asia, as well as the countries of the Indian, Pacific and Atlantic Oceans.

Ultimately, traditional routes will lose their status as the only alternative, as companies continue to diversify supplies through secure corridors to reduce commercial and geopolitical risks.

5. The critical importance of the Northern Sea Route

The war in the Middle East has made it clear, that the straits through which global trade routes are routed are now weaponized by the countries that control them. Therefore, the importance of the Northern Sea Route, which runs along the Arctic coast of Russia, has increased dramatically.

The Northern Sea Route is a shipping route between western Eurasia and the Asia-Pacific region and a historically established national transport artery for Russia.

The Northern Sea Route runs along the coast of Russia through the seas of the Arctic Ocean, connects Russian European and Far Eastern ports and the mouths of navigable Siberian rivers – into a single transport system. The route through the Northern Sea Route is almost half as short as other sea routes from Europe to the Far East: from St. Petersburg to Vladivostok through the Suez Canal – 23,200 kilometres, and along the Northern Sea Route – 14,280 kilometres.

The total volume of cargo transportation along the Northern Sea Route in 2014 was 4 million tons, and in 2025 – more than 37 million tons. One of the main goods transported along the Northern Sea Route is oil and liquefied gas.

Colossal natural resources are concentrated in the Arctic, and their development is impossible without the technologies that Russia has (above all – Arctic vessels). For this, including for the transportation of extracted natural resources and goods to world markets, all states claiming the Arctic region need to have a powerful icebreaker fleet.

The absolute leader in this area is Russia, which has more icebreaking vessels at its disposal than all other countries combined, including nuclear vessels capable of breaking through ice up to 3 meters thick; also, ensuring year-round uninterrupted transportation of goods, natural and energy resources along the Northern Sea Route. This route gives Russia direct and quick access to Asia, in many ways surpassing the Suez Canal in terms of efficiency. The contrast is especially noticeable against the background of the capabilities of other countries in the Arctic region.

Russia has the world's largest Arctic fleet – 42 icebreakers, of which 8 are nuclear and 34 diesel-electric. In the coming years, Russia plans to launch three more nuclear-powered icebreakers. Canada has 17 icebreakers, Finland has 8, and Sweden has 5. The weakest fleet is the United States, which has only two obsolete icebreaker vessels, one of which is very outdated (built in 1976).

Due to the serious problems that have arisen for the global economy in logistics routes (recent examples: the great vulnerability of the Suez Canal in the event of its closure due to the grounding of container ships, as happened in 2021; the closure of the Strait of Hormuz due to the current military conflict and possible future conflicts in the Middle East; the possible closure of the Strait of Malacca for the same reasons – connects the Indian Ocean with the Pacific, and other possible similar problems), the importance of the Northern Sea Route will only increase.

Russia is actively developing projects in the Far North and with interested countries.

Russia and China

In October 2025, Russia and China approved a new action plan to expand traffic along the Northern Sea Route.[10] This made it possible to double the number of container flights between Russia and China, reaching about 40 million tons of traffic, and reduce the transportation time from China to Europe by half (up to 20 days) than through the Suez Canal (40 days).

For China, co-operation with Russia in the Arctic is also strategically important. If, in a hypothetical conflict, the US were to attempt to block Chinese and European shipping from passing through the Strait of Malacca between Malaysia and Indonesia, China's maritime trade with the rest of the world would be effectively suspended.

Russia and Egypt

Russia and Egypt control unique maritime routes. Egypt controls the Suez Canal, and Russia controls the Northern Sea Route. Russia and Egypt plan to use this Suez Canal-Northern Sea Route corridor to transport cargo from most regions of Russia and other countries to Asian and African countries.

"*Russia and Egypt, due to their unique geographical location, are the most important links in the global logistics architecture. The Suez Canal and the Trans-Arctic Transport Corridor are able to work effectively in tandem*," – Nikolai Patrushev, Aide to the President of Russia and Chairman of the Maritime Board of the Russian Federation.[11]

Russia is the world leader in the supply of food to the global market, and a significant part of it goes towards South Asia and Africa directly through the Suez Canal. The joint transport and logistics infrastructure of the Northern Sea Route – the Suez Canal will allow uninterrupted and commercially viable international transportation of grain and hydrocarbons from Russia, which is creating a grain and energy hub in its own country.

Russia and India

Indian Prime Minister Narendra Modi said that one of the most promising new routes of foreign trade for India is the Northern Sea Route. In this regard, India plans to increase the transit of Indian goods through this transport corridor to 5 million tons.[12]

Russia and the United States

The United States is actively involved in the battle for the Arctic and is trying to urgently increase its presence in the region, knowing full well that in the coming decades the Arctic will become the site of another division of geopolitical influence and natural resources. Without a powerful icebreaker fleet, it will be extremely difficult to do this.

The production capabilities of the United States do not allow the creation of its own icebreaking ships, which forced Washington to turn to other countries for help. Realizing his own lag in the race for the Arctic, President Trump announced a major deal with Finland to build and purchase 11 icebreakers to be built jointly, the first of which is planned to be received by the United States in 2028.[13]

By consolidating Finland in the orbit of its strategic control over the Arctic, the United States is also buying a presence in the northern seas with its partnership with this country, since Finland is a window to the Arctic.

Most likely, the USA will build up not only icebreakers, but also political, economic, military, and research capabilities in the northern seas to compete with Russia.

The USA partnership with Finland is a challenge to Russia, which remains a major Arctic player. This means that the northern chessboard is beginning to come to life, and each new move in it will have not only economic, but also strategic significance.

Co-operation in the Arctic was one of the key topics of talks between Vladimir Putin and Donald Trump in August 2025 in Alaska.[14] Russia invites the United States to a mutually beneficial cooperation in the Arctic, especially in the field of natural resource extraction.

Russia and South Korea

The government of the Republic of Korea has shown significant interest in the Northern Sea Route, including it in its strategic plan, "Program 123," as one of the country's priority areas for foreign economic development.[15] South Korea's heightened interest in the Northern Sea Route demonstrates Seoul's strategic vision for economic development.

Main thesis

The process of developing the Arctic has a chance to repeat the path of space exploration. Having realized a mutually beneficial partnership, the key players in the Arctic region – can move on to a development of joint projects in the region (as in the likes: when all the spacefaring nations, once began to cooperate within the framework of the International Space Station.

Conclusion:

1. The Arctic is becoming a region of global rivalry and strategic importance not only for Russia and neighbouring countries, but also for distant (non-Arctic) states.
2. Colossal natural resources are concentrated in the Arctic, and their development is impossible without the technologies that Russia possesses.
3. The Northern Sea Route has huge competitive advantages and can become a key transport artery of the future.

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[1] Territorial claims in the Arctic; https://en.wikipedia.org/wiki/Territorial_claims_in_the_Arctic

[2] The Arctic Council consists of the eight Arctic States; https://arctic-council.org/about/states/

[3] US trade wars. *Moscow News*, 25 February 2026; https://www.mn.ru/topics/torgovye-voyny-ssha (In Russian).

[4] 'Arctic: Territory of dialogue' International Forum; http://kremlin.ru/events/president/news/76554 (In Russian).

[5] The Centre for Research on Energy and Clean Air (CREA) is a prominent research organization focused on analysing air pollution, fossil fuel reliance, and the global transition to clean energy.

[6] ESPO oil refers to a highly sought-after, premium grade of Russian crude oil. The acronym stands for Eastern Siberia–Pacific Ocean, which is the massive Russian pipeline system used to transport this crude from production fields in Eastern Siberia to Asian-Pacific markets.

[7] Strait of Hormuz: Global logistical shock 2026. *PSB Analytics,* 21 April 2026; https://www.psbank.ru/qpstorage/psb/images/informer/logistika-ormuz.pdf (in Russian).

[8] Alexey Zotov. Zombie oil on the roadstead: How much does the blockade of the Strait of Hormuz cost and why the market pays for risk. *Finance Mail*, 25 March 2026; https://finance.mail.ru/article/zombi-neft-na-rejde-skolko-stoit-blokada-ormuzskogo-proliva-i-pochemu-rynok-platit-za-risk-69202662/ (In Russian).

[9] Gabriella Bruschi. Oil: Saudi Aramco will open a bypass around Hormuz in a few days. And crude prices are falling from their peaks. *First Online*, 10 March 2026; https://www.firstonline.info/en/petrolio-la-saudita-aramco-aprira-in-pochi-giorni-un-bypass-per-aggirare-hormuz-e-il-greggio-scende-dai-picchi/

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[11] Patrushev said in Cairo that the Suez Canal and the Northern Sea Route can effectively work in tandem. *Interfax.ru*; 26 April 2026; https://www.interfax.ru/russia/1086132 (In Russian).

[12] Likhachev assessed the prospects for the transit of Indian goods along the Northern Sea Route. *RIA Novosti*, 01 September 2025; https://ria.ru/20250901/indiya-2038845882.html (In Russian).

[13] Trump has joined the battle for the Arctic to the fullest: A signal to both Moscow and Minsk. *Tsargrad*, 10 October 2025; https://tsargrad.tv/dzen/tramp-vkljuchilsja-v-bitvu-za-arktiku-na-polnuju-signal-i-moskve-i-minsku_1400770 (In Russian).

[14] Putin and Trump made statements after the summit in Alaska. The main thing following the talks between the presidents of Russia and the United States. *Moscow News*, 16 August 2025; https://www.mn.ru (In Russian).

[15] Russia plays a key role in the development of the Northern Sea Route, Ambassador Zinoviev said. *RIA Novosti*, 26 October 2025; https://ria.ru/20251026/sevmorput-2050640833.html (In Russian).